



COTTON MARKETING NEWS

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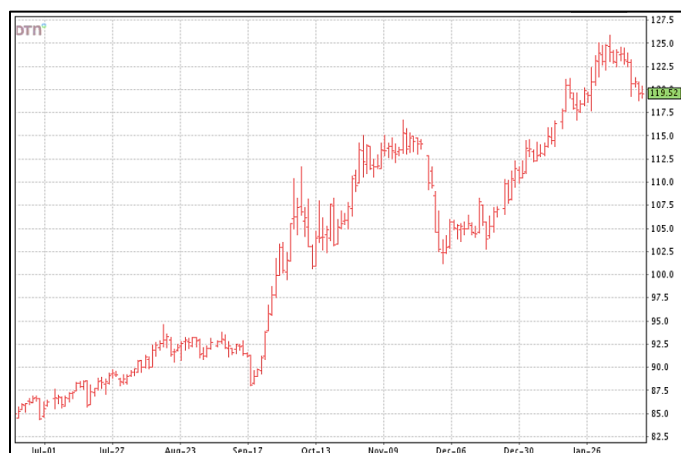
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Recent Events Likely to Support High Prices

Old crop May futures currently stands at roughly \$1.21. New crop Dec is at roughly \$1.03. May was down 3.39 cents for the week through yesterday, recovers up today, but still down for the week.

Still, recent events and news has been mostly positive for prices and while this week's decline can be (and perhaps should be a little) concerning, the price outlook still appears to be mostly positive and encouraging.



NCC Acres Estimate. In its recent planting intentions survey, the National Cotton Council projected 12 million acres planted for 2022—up 7.3% from last year. This is little reason for weakening prices because yield and acres harvested are more important. Also, demand and US exports are projected to increase further for the 2022 crop marketing year and US ending stocks expected to decline to a relatively very low level.

Acres and Yield Uncertainty. The 2022 crop seems more likely to be influenced by weather and yield variables. Currently, the drought situation in Texas-Oklahoma is more widespread and more severe than last year on this date. The Mid-South is also drier than last year. With high and increasing input costs, how will producers respond in the production practices? If inputs are reduced or practices modified in attempt to shave costs, will yields be reduced? Some inputs may not even be available.

Demand and US Exports. In its February supply/demand and production reports, USDA dropped projected US exports for the 2021 crop year by 250,000 bales. This was a reflection of ongoing logistics and shipping issues. As a result of this and other changes,

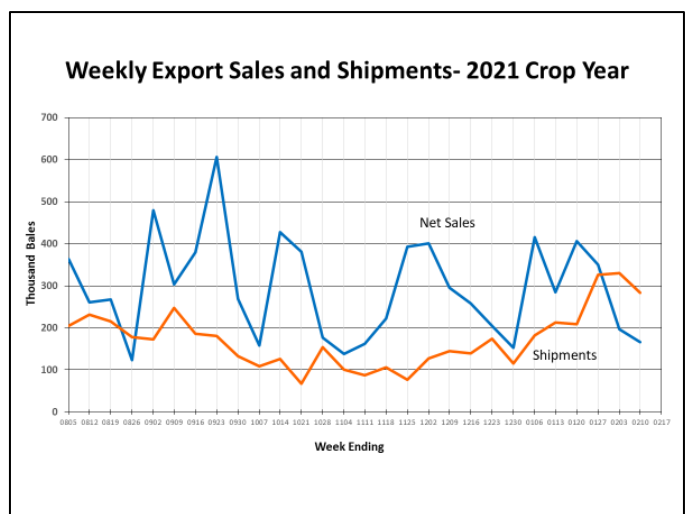
US ending stocks (cotton on hand going into the 2022 crop year August 1) were increased 300,000 bales. This may take a little steam off prices but this change was not unexpected. Note- if exports are adjusted down again, that could be more problematic.

World Use was increased by 190,000 bales; World production cut 810,000 bales—due mostly to lower expectation for India.

Cautions to Be Aware Of. It is the feeling in some circles that cotton is overpriced. But it is easy to see that, with exception of the OMICRON scare back in November, the 30-cent runup in price has pretty much gone unabated. The “corrections” experienced have been short-lived and, for the most part, due to “technical selling” or speculative profit-taking. The weakness experienced this week until today’s improvement, is likewise thought to be due to technical selling and geo-political concerns.

New crop Dec, as mentioned, is currently at roughly \$1.03. The outlook for remaining old crop and new crop is tied to expectation that Use will continue to be strong. If it’s not, prices could weaken but that will also depend on what’s happening on the supply side.

The expectation for 2022 crop is that US exports will be higher than this season. Along with that, apparently, is the expectation that supply chain issues are going to improve.



In recent weeks, sales have trended lower. Shipments, however, have been the highest of the marketing year thus far. Shipments need to keep pace to fuel high expectations.

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